

# Simplification and Operations Committee

Thursday September 30, 2010

1:00 PM

House Room D  
General Assembly Building  
Richmond, Virginia

Attendees: Delegate Glenn Oder (Chair), Senator Mary Margaret Whipple, Howard Estes, Gil Shelton, Alexander McMurtrie, Bill Eggers (by phone), Mike Thompson

## Minutes

Chairman Oder convened the meeting at 1:03. He reviewed the previous work product of the committee and outlined the agenda for the day's meeting.

### *Presentation – Summary and Modifications to Proposed ABC Privatization Model – Eric Finkbeiner*

- Mr. Finkbeiner provided a brief overview of the previous presentation of the proposal. He noted that the committee's action represents one part of the process as it goes to the Governor and legislature. He then presented the three proposed modifications to the previous plan. These modifications are based on feedback since the September 8<sup>th</sup> committee meeting and include: 1) removing the 2.5% optional restaurant fee and the 1% wholesale license charge, 2) adding a new license level for 100 small retailers and 3) a payment plan option for small business to pay their license bid over three to five years.
- Comments: Delegate Oder asked if the licensing fees would still go to the proposed state transportation infrastructure bank which Mr. Finkbeiner noted it would. Mr. McMurtrie asked about the cost of the leases to the state which Mr. Finkbeiner noted the Commonwealth has no legal or financial obligation. Mr. Shelton asked about the room in the model for price reduction achieved through competition. Mr. Finkbeiner noted Virginia already has relatively high prices which would initially not change, but since offering of products would expand, competition could drive prices lower. Mr. Shelton asked if Virginia would bring back the currently 20% lost sales to DC and Maryland under the proposal. Mr. Finkbeiner noted that yes, Virginia should see repatriated sales under the plan due to increased convenience but the model assumes a conservative percentage. Mr. Shelton asked about the effective tax rate change. Mr. Finkbeiner noted that the excise tax and ABC profits currently make the effective rate \$23.50 and the amended model would replace it with a \$17.50 gallonage fee. Mr. Shelton asked the possibility of equalizing the ethanol tax on beer and wine. Mr. Finkbeiner mentioned that it is nothing something the Governor is considering. Mr. McMurtrie asked about pushing the wholesale tax higher. Mr. Finkbeiner noted the proposed modification eliminates the 1% fee. Mr. Estes asked if the proposed payment plan option would include a surcharge. Mr. Finkbeiner that there would be a low interest rate for participating in the plan. Mr. Estes suggested using the Small Business Financing Authority and asked about giving localities greater zoning authority in the process. Mr. Finkbeiner noted the plan ensures localities maintain the same level of input into the process but do not want to add additional burdens to those seeking a license. Mr. Estes asked if there was an alternative to a bidding preference to encourage the hiring of current state ABC workers. Mr. Finkbeiner noted that alternatives had been examined and a more performance-based alternative proposed by the Virginia State Government Employees Associations based on recruiting and retaining current employees would be considered. Senator Whipple noted that legislators had been assured that the

general fund revenue would be maintains but the previous proposal had a \$20 million gap, it incorporated speculative growth and is now losing two revenue generators as well as relying on a flat fee that does not grow instead of a percentage tax, leading to a roughly \$70 million hole. She added that while some sales might repatriate, there has not been a detailed analysis done and there are many moving parts to the proposal. Mr. Finkbeiner noted that the growth estimates are conservative in the assumptions, but on the total revenue picture, the shortfall to current revenues is \$45 million. He noted the work of the Commission in adopting cost savings recommendations will cover that amount. Senator Whipple expressed her concern about the proliferation of outlets and handed out a breakdown of the number of new outlets by locality. Mr. Finkbeiner noted that Virginia currently has the lowest per capita amount of outlets and would still be below the national average after privatization as well as noting that many of the outlets would be in existing stores. Senator Whipple asked about extended hours and Sunday sales. Mr. Finkbeiner that 136 stores currently operate on Sunday but the final decision rests with the General Assembly. He also noted that the proposal assumes the same store hours as beer and wine license holders, but again would be determined through legislation. Mr. Shelton noted it is his philosophy that government should not be in control of sales but should be focused on operations and that it should not be looked at too much as a revenue discussion but a governance issue.

- Public Comment: Mr. Drew Rober of Henrico cautioned against leaving storefront leaseholders high and dry and about the cost of debating the proposal in a special session. Delegate Oder and Mr. Finkbeiner noted that leases could be renegotiated, ample time will be given to notice leaseholders and several potential license holders have expressed interest in retaining current space.
- Recommendation: Delegate Oder noted his support for maintaining general fund revenues, but philosophically thinks we do not need to be in this private business. He read the following motion:

“This Committee recognizes the importance of privatizing certain government functions that can be accomplished by the private sector and free market system more efficiently, effectively and without harm to the public good. Virginia state government should focus on its core responsibilities and selling alcohol is not one of them. This Committee, therefore, endorses ending Virginia’s outdated government monopoly on the sale of distilled spirits in keeping with the concepts recommended by the Governor’s staff.

The private sector has demonstrated for over 75 years that it can safely and responsibly conduct the sale of beer and wine. Distribution and consumer purchases of beer and wine at 6,657 retail stores currently licensed by the Commonwealth’s Alcohol and Beverage Control have worked well. This Committee, therefore, also supports privatizing Virginia’s ABC operations and recommends continuing work with stakeholders to develop legislation to accomplish this important government reform to meet the Governor’s objectives of generating money for transportation while maintaining ABC’s role in regulating the health, safety and marketing of distilled spirits.”

Having been moved by Delegate Oder and seconded by Mr. Shelton, the committee voted to adopt the recommendation 4-1 with Delegate Oder, Mr. Estes, Mr. Shelton, Mr. McMurtrie voting aye and Senator Whipple voting nay.

*Presentation – Telework and Alternative Work Schedules – Sara Wilson, Director, Department of Human Resource Management*

- Ms. Wilson provided an overview of the current offerings and participation in telework and alternative work schedules for state employees.
- Comments: Delegate Oder asked for clarification on why management readiness is a barrier. Ms. Wilson noted that managers can be resistant to allowing workers to take advantage of telework opportunities. Mr. Shelton asked about how work output standards are controlled and monitored.

Ms. Wilson noted it varies by individual jobs and is up to the manager to set the standards and monitor through the individual work reviews. Senator Whipple noted that she previously patroned legislation on telework and was gratified to see progress on the issue.

- Recommendation: On a motion by Delegate Oder, the committee recommended encouraging greater use of telework and flexible scheduling for state workers. The committee agreed unanimously.

*Presentation – Transportation Reforms – Matt Strader, Assistant Secretary for Transportation*

- Mr. Strader outlined each of the 17 transportation reform proposals. He asked that proposal #13 be removed for additional information to be presented at a future meeting.
- Comments: On proposal #1, Senator Whipple asked about the potential impact on tourism and for greater clarification on the details of how it would be implemented. Mr. Strader noted that VDOT and DOC currently enter into memorandums for maintenance. Delegate Oder noted that details could be addressed in legislation. On proposal #2, Delegate Oder suggested adding a member to the CTB to represent rail. Senator Whipple noted the NC-VA rail compact was more specific than the Rail Advisory Board. Mr. Estes suggested a subgroup of the CTB devoted to rail. Mr. Strader said they would explore those options. Linda McMinimy of the Virginia Transit Association provided public comment, noting the DRPT Director is on the CTB. On proposal #6, Senator Whipple asked if the proposal would change the current hierarchy of entities offered surplus property, which Mr. Strader said it would not. Senator Whipple asked if there should be a threshold for applicable properties, which Mr. Strader said they would examine. On proposal #7, Mr. Shelton asked where the savings would go, which Mr. Strader noted would drop to the bottom line of the agency subject to legislative appropriation. On proposal #12, Mr. Estes asked about the possibility of using private road standards. Mr. Shelton asked if there were any restrictions on the vehicles using these type of roads. A representative from VDOT noted there are restrictions subject to engineer review. Senator Whipple asked how this would help on stormwater run-off, which the VDOT representative and Delegate Oder noted would reduce the gravel that washes away. On proposal #15, Senator Whipple asked if the proposal applies to local roads. A DMV representative noted it applies to roads deemed critical to commerce. Delegate Oder noted a typo in the recommendation and that this has been a problem with Port traffic. Mr. McMurtrie asked about the recent VDOT audit findings, which Mr. Strader summarized and offered to supply additional information.
- Recommendation: On the motion of Delegate Oder, the committee adopted the proposals in a block unanimously with the following exceptions: on recommendation #1, Senator Whipple voted no; on recommendation #2 and #12, Senator Whipple abstained.

*Presentation – Business One-Stop – Peter Su, Director, Department of Business Assistance*

- Mr. Su and representatives from DBA and VITA provided an overview of recent and planned upgrades to the Business One-Stop portal.
- Comments: Mr. Shelton asked if the initiative includes local business licensing. DBA noted that due to systems integration issues, it does not but they are working on a pilot project with several localities. Mr. McMurtrie asked how agencies were being brought on board. Mr. Su noted they are continuing to meet with agencies and potential stakeholders and securing memorandum of understanding with them. Mr. McMurtrie asked about the potential to meet proposed deadlines. VITA noted that they are on target, but potential barriers remain. Mr. Thompson asked about estimated cost savings. DBA noted indirect advantages of getting businesses started faster, but in the future when the legacy portals are retired, VITA noted there could be savings. Mr. McMurtrie asked about other functions that could be included, which DBA noted were listed on the white paper submitted to the committee.

- Recommendation: On the motion of Delegate Oder, the committee unanimously adopted a recommendation to implement the next phase of the Business One-Stop.

*Update – Boards and Commissions – Mike Reynold, Commission Director*

- Mr. Reynold noted that Commission member Geoff Segal has been working with staff and Administration officials on examining boards and commission in accordance with the criteria previously adopted by the full Commission and gathering feedback on initial suggestions. Mr. Shelton asked about compensation for these entities. Delegate Oder and Senator Whipple noted that it depends on the position.

*Presentation – Examining Constitutional Officers in the Commonwealth of Virginia – Howard Estes*

- Mr. Estes provided an overview of the recently completed phase one of the study suggested by the committee into the processes and procedures of constitutional officers.
- Comments: Senator Whipple asked what stakeholders have been involved. Mr. Estes noted that he has met with constitutional officers, representatives of their associations, local government officials, Compensation Board staff, DPB staff and others. Delegate Oder inquired into what the next step is on the study. Mr. Estes noted that it would be examining tying service delivery with funding which should lead to proposed recommendations for the committee.
- Public Comment: Madeline Abbitt, representing the Commissioners of Revenue Association, noted this was a good report and reminded the committee to continue focusing on the need for good customer service and the ability for some services to be best accomplished at the local level.

Delegate Oder adjourned the committee at 3:35.